Pioneer Power Solutions, Inc.
Fourth Quarter Fiscal 2013 Full Year Conference Call
March 7, 2014

Operator: Good morning, ladies and gentlemen, and thank you for standing by. Welcome to the Pioneer Power Solutions Fourth Quarter 2013 Full Year Conference Call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session and instructions will be given at that time. If anyone has any difficulties hearing the conference, please press star, followed by zero for Operator assistance at any time.

I will now turn the conference over to Mr. Brett Maas of Hayden IR. Please go ahead.

Brett Maas: Thank you. Good day, and welcome. The call today will be hosted by Nathan Mazurek, Chairman and Chief Executive Officer; and Andrew Minkow, Chief Financial Officer. Following this discussion, there will be a formal Q&A session open to participants on the call. We appreciate having the opportunity to review the 2013 full year and fourth quarter financial results and provide guidance for 2014.

Before we get started, let me remind you this call is being broadcast over the Internet, and that a recording of the call and the text of Management's prepared remarks will be available on the Company's website. During this call, Management will be making forward-looking statements. These statements are based on current expectations and assumptions that are subject to risks and uncertainties that could cause actual results to differ materially. Please refer to the cautionary text regarding forward-looking statements contained in the earnings release issued today, and in the posted version of these prepared remarks both of which apply to the content of this call.

I will now turn the call over to Nathan Mazurek, Chairman and CEO, for opening comments. Nathan, congratulations on another strong year.

Nathan Mazurek: Thanks, Brett. Good afternoon everybody and thank you for joining us today for our conference call. I'll first discuss the business highlights for 2013 and the fourth quarter, in particular, of 2013 followed by an overview of the full year financial results that include a discussion of some of the internal and external factors which affected our results. I will then turn the call over to Andrew Minkow, our Chief Financial Officer, who will review our detailed financial results, some key drivers in our book of business and guidance for 2014. We will then open the call up for Q&A.

2013 was a year of solid execution for Pioneer Power Solutions. We delivered top and bottom line growth, including a 22.3% increase in our net earnings, overcoming headwinds such as an impact on foreign currency translation and the expense of investments made to accelerate our growth in the future. We made two important acquisitions in 2013, continuing to execute on our strategy to position the Company for long-term growth by broadening and diversifying our offerings. Furthermore, these two new business platforms expand the scope of our acquisition strategy, making us a better buyer, and many new and different types of—of many new and different types of businesses that can be expected to provide immediate synergies.

Specifically, our achievements during the year include: the acquisition of Power System Solutions in March to create our Pioneer Critical Power business unit; the formation of Pioneer CEP through the acquisition of Pico Electrical Equipment, whose business we have invigorated or re-invigorated with a new Management team; the completion of a public offering of our public stock, including the full exercise of the over-allotment option raising a total of approximately $7.9 million to fuel our growth initiatives; and an uplisting to the NASDAQ Capital Market from the OTC Bulletin Board. So, as you can see, this was a busy and productive year for Pioneer and we look forward to building on this success in 2014 and beyond. With the acquisitions we made in 2013, we set the course for our future growth and broadened the range of solutions we are able to provide new and existing customers, making us more relevant in the marketplace.

In order to capitalize on our new profile, we established a corporate sales organization early in 2013. The mission of this group, which we've dubbed the Strategic Sales Group, SSG, is to go to market with our full portfolio of products on a holistic basis, and pursue project-driven business, primarily through EPCs as our customer.

The orders in our current backlog from the Corporate Sales Group are purely incremental to us as a Company and it represents a key component to our expected growth in 2014. We will continue to add more full-time sales personnel to the group during the course of this year.

The full 2013 financial results; turning to the financial results as we reported today. This was a year of solid financial execution in both top line growth and even stronger bottom line expansion. Revenues increased 5% over 2012, to finalize at 88.2 million for 2013. This was inclusive of the impact of foreign currency translation related to the weakening of the Canadian dollar, which was down by about 3% in 2013. For the year 2013, approximately two-thirds of our revenue were denominated in Canadian dollars.

From a profitability standpoint, our sales mix was excellent and we extracted significant efficiency gains, as reflected in our gross margin, which increased by over 2% to 24.7% of revenues. In addition, our adjusted EBITDA increased to $8.9 million, a 14.9% increase versus 2012. Lastly, we delivered non-GAAP diluted EPS of $0.80 versus $0.70 for 2012. Andrew will walk you through the details shortly, but as you can see, we delivered solid financial results for the year by all measures.

Next, with the proviso that we always encourage investors to evaluate our results on an annual basis, let me speak briefly about 2013's fourth quarter. As we have stated previously, the timing of large orders—essentially, because much of our business is project-driven, can have a significant impact on our quarterly results. From time to time, some ship dates are delayed, others are accelerated. There are some orders that are just so large relative to our norm that they have the effect of making our quarter-to-quarter comparisons not useful. On an annual basis, it all seems to normalize year after year.

We experienced all of the above during our fourth quarter. Fourth quarter revenues were $21.2 million, down from $22.6 million in the prior year's quarter. Gross margins for the quarter reached 24.6%, 1% versus the fourth quarter of 2012. Adjusted EBITDA for the quarter was 1.8 million, a decline of 23.5%, from 2.4 million in the fourth quarter of 2012. Finally, non-GAAP EPS, non-GAAP diluted EPS of $0.18 a share for the quarter compares to $0.24 a share in the last quarter of 2012.

I will now turn the call over to Andrew Minkow, our Chief Financial Officer, to provide details of our 2013 full year and fourth quarter financial results.

Andrew Minkow: Thank you Nathan. As Nathan mentioned, this was a very solid year. Let's first take a look at the full year results, and then I will discuss the fourth quarter and 2014 guidance.

Full-year revenues were $88.2 million, up 5% from $84 million in 2012. To break this down further for you, the 4.2 million year-over-year increase includes approximately 2.4 million from transformer sales, reflecting year-over-year growth in liquid-filled transformer products, which was partially offset by lower sales of dry-type transformer products.

On a combined basis, these two product lines resulted in a 2.8% overall organic growth for us during the year. The remaining 1.8 million increase in our consolidated revenue during 2013 was a direct result of our recently acquired businesses, Pioneer Critical Power and Pioneer CEP.

Our sales to electrical distributors and to EPC firms represented approximately 49% of our total revenue in 2013, or growth of approximately 5% year-over-year. Our sales to utilities in 2013 grew by approximately 15% and represented 35% of our revenues, compared to just 32% in 2012. Our utility sales benefited from strong increases among many of our perennial customers in Canada, where sales grew approximately 10%. Sales to US utilities, both to existing and new customers, were also up substantially in 2013, but still represented less than 5% of our overall revenue.

In the commercial and industrial sector, sales to these customers declined by 10% in 2013, and represented 16% of our consolidated revenue, as compared to 18% in 2012. In any one period, our commercial and industrial revenues usually derive from a concentrated group of customers and is tied to several large projects which, by their nature, are non-recurring. The net decrease in our C&I revenue was driven by a lower volume of industrial project revenue, particularly in the mining sector, as compared to 2012, which was offset by an increase in commercial project revenue, principally from Critical Power applications. Critical Power projects, mostly consisting of data centers, comprised approximately 70% of our sales in circuit protection and control equipment in 2013.

Turning to gross profit, it was up 14.9% to 21.8 million, or a 24.7 gross margin compared to an 18.9 million gross profit, or a 22.6 gross margin in 2012. The gross margin improvement was driven by a shift in our sales mix towards liquid-filled transformers and switchgear related products, which represented approximately 53% of our revenues during 2013, compared to only 46% of sales in 2012. We generally achieve higher gross margins from the sale of these engineered-to-order products than we do from the sale of our dry-type transformers, a large portion of which consists of catalog designs sold on a wholesale basis through our distribution network.

Full-year selling, general and administrative expenses was 14.7 million, or 16.7% of revenues, compared to 13.2 million, or 15.7% of revenues in the previous year. The 11.7% increase in absolute dollars of SG&A was driven primarily by expenses related to new businesses acquired in 2013, as well as an increase in our corporate general and administrative expenses.

Full-year operating income increased 20% to 7.1 million, from 5.9 million in 2012. The increase was driven by stronger gross margins on increased sales, and was partially offset by the increase in SG&A.

Net earnings from continuing operations increased 65.3% to 5.3 million, versus 3.2 million in the prior year.

Full-year adjusted EBITDA was 8.9 million, compared to 7.8 million in 2012. The full-year non-GAAP diluted EPS from continuing operations was $0.80, up 14.3% from $0.70 in the prior year. As a reminder, during the year, we completed a secondary offering, increasing our share count significantly. Including the offering, our guidance was for an EPS of $0.76 to $0.82. Therefore, with EPS of $0.80 for the year, we met our guidance.

Next, I'll review the financial results for the fourth quarter. Our revenues were 21.2 million, down 6.3% or 1.4 million, from 22.6 million in the fourth quarter of 2012. Our fourth quarter gross profit was down 2.9% to 5.2 million, versus 5.4 million gross profit in the prior year, which was due to lower revenue. However, we increased our gross margin in the fourth quarter to 24.6%, compared to 23.8% for the fourth quarter of 2012, which was due to favorable sales mix.

In the fourth quarter, SG&A expenses were 4.1 million or 19.2% of revenues, compared to 3.4 million or 15.1% of revenues in the fourth quarter of 2012. The increase in absolute dollars of SG&A was driven primarily by the inclusion of two businesses we acquired in 2013, as well as due to an increase in our corporate expense, including our new corporate strategic sales teams that Nathan discussed.

Operating income for Q4 of 2013 decreased 32% to 1.3 million, from 1.9 million in Q4 2012. Net earnings from continuing operations increased 67.5% to 2.1 million in the fourth quarter of 2013, versus 1.2 million in the fourth quarter of 2012. In the fourth quarter of 2013, we recognized a $1 million tax benefit from the consolidation of our Canadian companies into one corporation. Although we consider this a one-time event, we expect that the cash flow benefit to us will be fully realized during 2014.

Adjusted EBITDA for the fourth quarter was 1.8 million, or 8.6% of sales, compared to 2.4 million, or 10.5% of sales in the last quarter of 2012. For the fourth quarter, non-GAAP diluted EPS from continuing operations was $0.18, down 25%, from $0.24 in the comparable period last year when we had fewer shares outstanding. In all, we feel we delivered outstanding financial results for 2013 and have a very strong balance sheet as a result of this.

Turning to that, our cash and equivalents were 0.4 million compared to 0.5 million as of December 31st, 2012, and our stockholders equity as of December 31st, 2013 increased to 30.8 million, as compared to 18 million at December 31, 2012.

Turning to guidance, I'd like to provide you some direction on 2014. On a full-year basis, we expect revenues to be in the range of 92 to 96 million. Please keep in mind that the growth rate implied by this range is muted by the fact that the Canadian dollar has weakened relative to our reporting currency, the US dollar. In fact, if you normalize the currency effect, our top line guidance would be approximately 5% higher in 2014. Our 2014 budget is based on $0.90 to one Canadian dollar, as compared to $0.97 in 2013, a decline of more than 7% which affects over two-thirds of our revenue and is pretty much all reflected in transformer sales.

Our guidance anticipates that our newest businesses, Pioneer Critical Power and Pioneer CEP, will make major contributions in 2014, collectively growing from 1.8 million of revenue in 2013 to between 10 million and 14 million in 2014, and will do so profitably.

In terms of our consolidated profitability, we expect that our adjusted EBITDA will be between 9 and 10 million in 2014. Also, on a full-year basis, we expect our non-GAAP diluted EPS to be between $0.75 and $0.80 in 2014.

This guidance is based on several key assumptions. First, the revenue estimate takes into consideration the composition of our current backlog, which stands at approximately 24.4 million as of December 31, 2013. Second, our guidance excludes the impact of any potential future acquisitions, but does assume the increased traction from the 2013 acquisitions. Third, the 2013 guidance assumes improving EBITDA, particularly in our Critical Power division. We expect our Pioneer CEP division, one of the two acquisitions completed last year, to be contributing to higher EBITDA late in 2014.

Finally, a few of the below the line assumptions included in our guidance. We are assuming a higher effective income tax rate at or above 30%, given that a higher share of our taxable income is now expected to be generated in the United States. We also note that our share count will be higher in 2014, at approximately 7.2 million shares, due to the full-year impact of the 2013 public offering.

This concludes my remarks, and I will now turn the call back over to Nathan.

Nathan Mazurek: Thank you Andrew. We feel we delivered solid financial and operating results for 2013, while at the same time positioning the Company for the future with the completed acquisitions of Pioneer Critical Power and Pioneer CEP. We will further leverage our business model to support additional expansion as we remain focused on growing faster than the average growth rate in our industry. The investments made during 2013 are expected to benefit us significantly in 2014 and beyond, particularly in our profitability. I look forward to updating you in the coming quarters.

Operator, I'd now like to open the call for questions.

Operator: Thank you. Ladies and gentlemen, we will now conduct a question-and-answer session. If you have a question, please press the star, followed by the one on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they're received. Please ensure you lift the handset, if you're using a speakerphone, before pressing any keys.

Your first question comes from Philip Shen with Roth Capital. Please go ahead.

Matt: Good morning, gentlemen, this is Matt on for Phil. Thanks for taking our questions.

Nathan Mazurek: No problem Matt.

Matt: We wanted to explore the 2014 outlook with you guys in a little bit more detail. I know you guys have mentioned the distributors are typically the customers that buy standard products from you and then resell while EPC customers execute on the custom orders. Can you just give us a sense for what the revenue mix was between standard products and custom sales in 2013? And then, how that trends in 2014?

Nathan Mazurek: Of the 49% of our sales that went to distributors and EPC, the lion's share of that would be the catalog, non-custom type products. So, EPC is the focus of our growth. It's still a relatively small component of that 49% of our sales, so if I had to define those numbers for you, we had 88.2 million of sales in 2013, 49% of that was approximately 44 million, accounts (inaudible) plus… I would say probably two-thirds of that revenue in 2013 to those customer classes was the standard-type products. It's actually a higher percent. I'll have to refine it for you.

Matt: Okay, that's fine. That is helpful. And then, could you just remind us again, you know, what are your gross margin profiles like, and maybe if you could quantify those between the standard-type products and the custom products?

Andrew Minkow: The standard-type products—and, we're really talking about low voltage dry-type transformers, so whether—whichever of our business is selling them, that's going to be pretty much in the low 20% gross margin range, whereas our custom products are going to average, depending if we're talking about gear or certain types of our liquid-filled transformers can be in the 25-35% range. So, a big difference there. You also have to understand that with our standard-type products in the low voltage transformer dry-type channel, the selling expenses are high after the gross margin and include commissions and freight, whereas a large portion of our custom volume includes none of that, it bears none of that.

Matt: Okay, that's very helpful. Then, can you remind us again, how quickly do you burn down backlog? How long does it take to convert backlog into revenues?

Nathan Mazurek: Right, so, you know, the majority of our—this is Nathan. The majority of our backlog is on the power transformer business and part—and a little bit on the CEP and Critical Power business, and pretty much, you know, the majority of that looks about six months out. There's more than that, but, you know, let's say 80% of it probably looks six months out.

Matt: Okay, great. Then, in terms of acquisitions, you know, we know you guys had two this last year, I wanted to get your sense for what you guys are seeing in 2014, so maybe you could speak in general terms about the potential number of acquisitions you're looking at, what does the pipeline look like right now and what is the potential size for some of these acquisitions? Then, you know, what kind of adjacent product, technology or geographic expansion would you like to add?

Nathan Mazurek: Right, so, you know, we kind of take a very proactive approach to it, we don't wait for stuff to come to us, and I guess most of our focus is in the Critical Power part of our business, so we're looking at several businesses that connect to that, whether it's other pieces of equipment or more importantly, we're looking a lot in service from the Critical Power part of the business. That's stuff that marries to the engine generator controls parallel and switchgear, transfer switch type schemes, and the service of that particular equipment.

That being said, there is still stuff in our normal transmission distribution business that we're continuing to stay on top of. One popped up this morning, so we're working on that.

Matt: Okay, great. One more here if I may, on op ex. You guys said you were adding some full-time sales force personnel.

Nathan Mazurek: Right.

Matt: Could you talk about op ex as a percent of revenues in 2014 and just how that trends for us?

Nathan Mazurek: It's—there's several pieces of it so it's hard for us to give you a clean answer, because we're not only adding people at corporate in the sales groups, you have to look at what we did to our California acquisition where we added seven people in total.

Andrew Minkow: Without the revenue, you know, to justify it, really, in 2013. It was a—with a build model. As 2014 unfolds, you know, that should—that…

Nathan Mazurek: (cross-talking)

Andrew Minkow: Yes, that should reach a normalized level. So, it should go down as a percentage. Whether it's going reach a normalized percentage by the end of 2014, I don't know, but it should decrease as the year goes on, even with adding more overhead along the way —and we'd really like to add, you know, if it'd be possible, three people yet this year in the Critical Power arena.

Nathan Mazurek: Yes, and on the Corporate Sales Group, the people that we've added, they will levelize (ph) in terms of percent of sales in 2014 because they have orders in hand. So, those three people have kind of resulted in an increase in our percentage, but as we add more people, you know, around 16, 15% is a decent percent of revenue to assume for us on sales. Then, if I could refine my answer to the question you first asked, you had asked roughly what percent of our sales falls into general, standard-type products, and that answer is about 35% of our sales in 2013 were more like catalog items as opposed to custom.

Matt: Okay, thanks for that as well, and I'll jump back in queue, guys. Thanks.

Operator: Once again, ladies and gentlemen, if you'd like to ask a question, please press the star, followed by the one. As a reminder, if you're using a speakerphone today, please lift the handset before pressing the keys.

Your next question comes from William Bremer with Maxim Group. Please go ahead.

William Bremer: Good morning, Nathan, good morning, Andrew. Nice year.

Nathan Mazurek: Thank you, William.

William Bremer: So, let me understand your business a little more. Let's first go into the current environment that we're in now, I mean, fourth quarter, first quarter. You know, throughout the transmission and distribution industry, we've seen a lot of harsh weather impacting the lines, some service outages. Can you give us a sense of, you know, how did that affect your underlying business in any way? And, have you been able to participate in some of that?

Nathan Mazurek: Right, so this is Nathan, William. It doesn't—usually it doesn't impact us in the short-term very much. You know, most of our equipment has much longer lead times that's not going to be affected, you know, given an outage on an immediate basis. It just—I would say, it highlights the issues with the grid, it highlights its weaknesses, it highlights its age and it keeps the good tailwind that we've been getting from—especially on the utility side from utilities investing in their transmission distribution grids, so as painful it is for the people and businesses experiencing outages, it basically highlights and continues to increase the demand factor for us over time.

William Bremer: All right. Exactly. Let's go into Canada now.

Nathan Mazurek: Sure.

William Bremer: Many specialty contractors have been voicing that Canadian transmission is approximately two years behind the US. That being said, on the recent calls, they've been extremely opportunistic about the large-scale projects, and just projects that are being awarded up there. Maybe give us a sense of how you're able to participate in what looks to be, over the next couple years, a very vibrant market in Canada.

Nathan Mazurek: Yes, I'm—you know, there aren't that many electrical utilities in Canada. Almost all of them are provincially owned, so you're dealing with—off the top of my head, six to eight utilities that probably control more than 80% of the transmission distribution market, and I'm not sure what those contractors are referring to. I would say that almost all of them, you know, have been pretty progressive as far as the money that they've been spending all along and have relatively longer investment horizons, and that we've been benefiting the last few years and continue to benefit, you know, those years, from that. The two big natural resource businesses in Canada which tend to increase transmission distribution is what goes on in Alberta in the oil sands in mining type operations, depending on what they're mining for. Oil sands has been very, very strong, and continues—their outlook is extremely strong and mining has been pretty quiet. Otherwise, unless you have some specific project that you want to talk about, that's our—that's my impression of what's going on in Canada.

William Bremer: Okay. We could definitely do that offline, but many of the contractors were voicing that in their conference calls, looking for expansion and meeting what utility cost emerges. It just seems as though that market is ready to participate longer term.

In terms of underlying kilovolts, what would you say is your sweet spot across your product line now? And, where do you think the market is going?

Nathan Mazurek: Yes, well, I don't know if I'm even qualified to say where the market is going. Our sweet spot, from the transformer point of view, is probably, you know, 1-20 MVA. Anything from 5 kV to 69 kV, that's where we're going to be doing our most profitable work. Some of that is because it's a good market, some of it we're limited by our own abilities. On the switchgear side, it's more on the low voltage side, because so much of the Critical Power work is already at low voltage and most of that's going to be at, you know, 480V. The scheme and the amperages and so forth are going to change, you know, based on what the particular projects are.

William Bremer: Very nice. Thank you. My last question is just on the service opportunity long-term for your Company.

Nathan Mazurek: Yes, I mean, we think that service in Critical Power is a—you know, is money to be had. It's an unbelievably fragmented, ignored part of the business and yet, you know, you're dealing with unbelievably discriminating customers when it comes to—whether it's the user or their engineering firm or consultants, you know, when you're talking about that (inaudible) and they can't get service from the same organization that they're getting the equipment from, and it behooves us to put our efforts into trying to acquire and grow in that space, to increase our Critical Power business. Our Critical Power business is our highest margin in the Company, both gross and net operating margin. So, I think that that's a natural place for us to continue to invest with salespeople, as we're doing, and a natural place for us to make ourselves a more relevant and stronger vendor.

William Bremer: Nicely done, gentlemen, this year. Good luck in 2014.

Nathan Mazurek: Thank you, William.

Andrew Minkow: Thank you.

Operator: Your next question comes from Bill Nasgovitz with Heartland Funds. Please go ahead.

Bill Nasgovitz: Hey, good morning, guys. Maybe I missed this. You said your backlog is 24-5? What does that compare against?

Nathan Mazurek: We publish it every quarter, Bill. This is Nathan, I don't remember off the top of my head, you know, (inaudible) before.

Bill Nasgovitz: First a year ago.

Nathan Mazurek: Well, a year ago, (cross-talking)

Bill Nasgovitz: I guess it (cross-talking)

Nathan Mazurek: I think it was approximately 2 million higher versus a year ago, but let me confirm that for you.

Bill Nasgovitz: Is that apples-to-apples with your acquisitions?

Nathan Mazurek: It is not, in the sense that the current year backlog includes some from acquisitions.

Bill Nasgovitz: Right.

Nathan Mazurek: Because both—you know, although still a small percentage of it, but those two businesses both tend to carry backlog and the backlog is significant to their—to trying to get their future results.

Bill Nasgovitz: Okay. Is there a difference in tax rates here this coming year versus…

Nathan Mazurek: Yes.

Bill Nasgovitz: Could you just (audio interference) example (inaudible)?

Nathan Mazurek: Yes.

Andrew Minkow: Yes, we expect our tax rate to be higher. When looking at our numbers, you have to take into account that $1 million tax benefit we incurred in the fourth quarter. If you back that out, you'll arrive at an effective tax rate of about 28.5% for us. That reflects a blend of Canadian tax rates which are in the range of 26% and US tax rates that are, you know, 35—or, including state, around 39%. Next year we're expecting a bigger taxable income contribution from the US, so, you know, on my own guidance, I'm using a little bit above 30% for next year.

Bill Nasgovitz: Okay. Thanks a lot.

Andrew Minkow: Thank you.

Operator: Once again, ladies and gentlemen, if there are any additional questions at this time, please press the star, followed by the one. As a reminder, if you are using a speakerphone today, please lift the handset before pressing the keys.

Once again, ladies gentlemen, if you'd like to ask a question, please press the star, followed by the one.

Your next question comes from James Winchester with QVP. Please go ahead.

James Winchester: Yes, good morning, guys.

Nathan Mazurek: Morning.

James Winchester: I guess, without getting into financial details, I'm kind of curious about the release this morning by PSE&G of their new capital spending plan. It's a, you know, a $12 billion five-year program, and I was wondering if you can sort of give me a little bit of color on how a program like that, how it flows down to you and to what degree you participate?

Nathan Mazurek: Yes, I—this is Nathan. I didn't see anything yet. I'd be interested to read about it as well. PSE&G is an on-again, off-again customer of ours, primarily for network transformers, which is a special type of volted oil-filled transformer that provides the redundancy to the grid wherever the utility decides that they need it. So, I'm not sure what they're investing in. Whenever you have those kinds of big programs, then of course the big questions are, number one, over how many years, and what it's comprised of. Large power transformers are going to be big ticket items, high voltage cable and those kinds of switching stations are going to be big ticket items. So, I don't know what they're exactly trying to strengthen.

James Winchester: Yes.

Nathan Mazurek: Sorry, not a lot of input (ph) but just telling you I don't know.

James Winchester: Mm-hmm. All right. Well, yes, you might certainly want to take a look at it. They have five major projects including a high-kilovolt line, so hopefully it does have some benefit in the course—the next three, four or five years. That's all I have. Thanks.

Nathan Mazurek: Okay. No problem, James.

Operator: There are no further questions at this time. I will now turn the call back over to Management for any additional comments or closing remarks.

Nathan Mazurek: Well, we appreciate everybody taking the time to listen to what we have to say, and we appreciate feedback, and you know, we love to receive comments and questions anytime. It doesn't have to be formally on the call. Thank you everybody.

Operator: Ladies and gentlemen, that does conclude our conference call for today. You may now disconnect your lines.